# *RICH'S inc.*

## *ANNUAL REPORT*

*Fiscal year ended*
*February 1, 1964*

*RICH'S inc.*

*Atlanta born*
*Atlanta owned*
*Atlanta managed*

RICH'S inc.

Atlanta born
Atlanta owned
Atlanta managed

# *financial highlights*

| FROM THE EARNINGS STATEMENT | *Fifty-two weeks ended February 1, 1964* | *Fifty-two weeks ended February 2, 1963* |
|---|---|---|
| Net Sales | $105,434,116 | $95,439,205 |
| Earnings Before Taxes | 10,904,631 | 9,881,424 |
| Percent of Sales | 10.3% | 10.4% |
| Earnings After Taxes | 4,960,631 | 4,432,424 |
| Percent of Sales | 4.7% | 4.6% |
| Earnings per Share of Common | 2.77 | 2.48 |
| Common Dividends Paid | 2,122,871 | 1,929,954 |
| Dividends Paid per Share of Common | 1.20 | 1.10 |
| Gain from Sale of Property, less applicable taxes on income | — | 273,422 |
| Earnings Retained in Company | 2,785,186 | 2,707,285 |
| **FROM THE STATEMENT OF FINANCIAL CONDITION** | | |
| Working Capital | $ 39,465,157 | $35,632,437 |
| Ratio of Current Assets to Current Liabilities | 4.6 | 4.8 |
| Expenditures for Property & Equipment | 4,782,291 | 2,856,631 |
| Common Shareholders' Investment | 43,032,036 | 40,053,063 |
| Book Value per Share of Common | 24.30 | 22.76 |
| Number Common Shares Outstanding | 1,771,084 | 1,759,984 |
| Number Common Shareholders | 3,639 | 3,658 |

RICHARD H. RICH
*Chairman of the Board*

HAROLD BROCKEY
*President*

# *to the stockholders of Rich's inc.*

In its 97th year, Rich's once again set all-time high records in sales and net earnings. Our sales growth continued to exceed the general retail sales increase, and our share of the market increased proportionately.

In the Fall of 1963, we completed an addition to our Parking Garage which provided us with over 300 additional spaces. With the completion of the Cobb County Branch, and increased sales volume at our Lenox and Belvedere Branches and our Downtown Store, our sales increase was over ten million dollars, making 1963 a record year with total sales of over $105,000,000—a gain of 10.5% over the year 1962.

Earnings per share on the common stock, after preferred dividends, were $2.77 per share compared with $2.48 per share the previous year, excluding 15¢ per share capital gains from the sale of property in 1962.

*dividends:*

A quarterly dividend on the common stock of 33¾¢ per share was voted by your Board of Directors in February, payable on May 1, 1964. This is equivalent to $1.35 per share annually on the current stock basis. Dividends of $1.20 per share were paid to the holders of common stock for the fiscal year of 1963 compared with $1.10 per share in 1962 – with the increased dividend for 1964 your company has increased the dividend each year for the last seven years.

*stock split:*

Your Board of Directors has approved a proposal to be submitted to the stock-

holders at the Annual Meeting April 14, 1964, which would increase the total number of authorized shares of common stock from two million to three million shares. If approved, the Board will then declare a stock split, granting one additional share for each two shares held. The stock split would be effective May 1, 1964, to stockholders of record on April 21, 1964.

*computer installation:*

Because of the conversion to a new Computer System, there has been a considerable dollar increase in our Customer Accounts Receivables which was occasioned by a delay in mailing bills to our customers during this period of conversion. These accounts have been examined carefully and an additional amount has been added to our regular reserve for any reasonable additional losses.

*organization:*

We deeply appreciate the vital contribution to our continued success made by our loyal employees who have in the true Rich's spirit so competently and expediently carried any additional demands and responsibilities created by the challenges of our Expansion Program. The Directors, Officers, Managers and all of Rich's Associates are to be congratulated on a job well done.

Harold Brockey

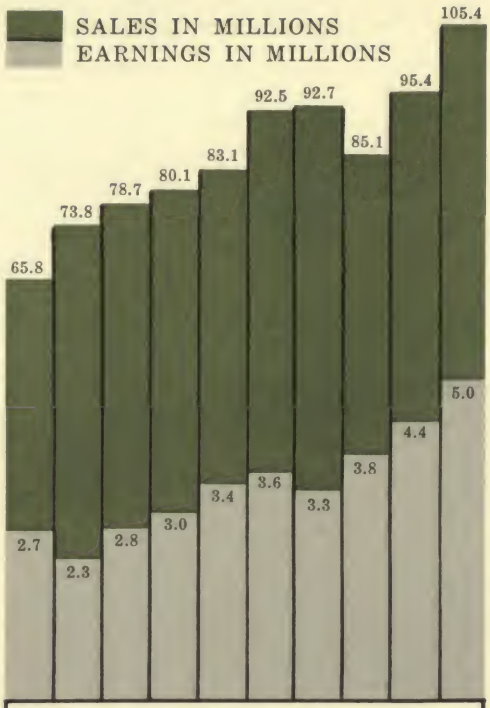
HAROLD BROCKEY, *President*

Richard H. Rich

RICHARD H. RICH, *Chairman of the Board*

*April 14, 1964*

*ten year history of sales, net earnings and common stockholders' investment*




TEN YEAR HISTORY – SALES AND EARNINGS AFTER TAXES

Note: Knoxville Store Results included in fiscal years 1954-1960

| *Fiscal Year Ended* | *Net Sales* (000) | *Net Earnings Before Income Taxes* (000) | *Net Earnings After Income Taxes* (000) | *Net Earnings Per Common Share* (Note) | *Dividends Per Common Share* (Note) | *Common Stockholders' Investment* (000) | *Common Stockholders' Investment Per Share* (Note) |
|---|---|---|---|---|---|---|---|
| February 1, 1964 | 105,434 | 10,905 | 4,961 | 2.77 | 1.20 | 43,032 | 24.30 |
| February 2, 1963 | 95,439 | 9,881 | 4,432 | 2.48 | 1.10 | 40,053 | 22.76 |
| February 3, 1962 | 85,100 | 8,324 | 3,816 | 2.14 | 1.00 | 37,115 | 21.27 |
| January 28, 1961 | 92,726 | 6,709 | 3,270 | 1.84 | 0.90 | 34,999 | 20.21 |
| January 30, 1960 | 92,511 | 7,745 | 3,569 | 2.04 | 0.825 | 32,248 | 18.85 |
| January 31, 1959 | 83,149 | 7,367 | 3,438 | 1.98 | 0.80 | 29,995 | 17.72 |
| February 1, 1958 | 80,103 | 6,610 | 3,025 | 1.77 | 0.75 | 27,761 | 16.65 |
| February 2, 1957 | 78,693 | 6,286 | 2,848 | 1.67 | 0.70 | 25,830 | 15.69 |
| January 28, 1956 | 73,845 | 5,053 | 2,340 | 1.36 | 0.70 | 24,103 | 14.70 |
| January 29, 1955 | 65,834 | 5,408 | 2,698 | 1.61 | 0.60 | 22,273 | 13.86 |

*Note* – Based upon number of shares outstanding on February 1, 1964 for the year then ended; for earlier years based upon number of shares outstanding at end of each year after adjustment for the two-for-one stock split in year ended January 28, 1956.

# *comparative statements of net earnings and retained earnings*

| | *Fifty-two weeks ended February 1, 1964* | *Fifty-two weeks ended February 2, 1963* |
|---|---|---|
| NET SALES, including leased departments | $105,434,116 | $95,439,205 |
| COSTS AND EXPENSES: | | |
| Cost of goods sold and expenses, exclusive of items listed below | $ 90,198,732 | $81,579,717 |
| Depreciation and amortization | 1,761,561 | 1,621,482 |
| Repairs and maintenance | 637,632 | 817,234 |
| Taxes, other than taxes on income | 1,349,164 | 1,179,087 |
| Interest | 381,484 | 344,117 |
| Contribution to retirement plan | 400,690 | 283,513 |
| | $ 94,729,263 | $85,825,150 |
| | $ 10,704,853 | $ 9,614,055 |
| OTHER MISCELLANEOUS REVENUES LESS EXPENSES | 199,778 | 267,369 |
| EARNINGS BEFORE TAXES ON INCOME | $ 10,904,631 | $ 9,881,424 |
| FEDERAL AND STATE TAXES ON INCOME | 5,944,000 | 5,449,000 |
| NET EARNINGS | $ 4,960,631 | $ 4,432,424 |
| SPECIAL ITEM – gain from sale of property, less applicable taxes on income | | 273,422 |
| NET EARNINGS AND SPECIAL ITEM | $ 4,960,631 | $ 4,705,846 |
| LESS CASH DIVIDENDS PAID: | | |
| Preferred Stock – $3.75 a share | 52,574 | 68,607 |
| Common Stock – $1.20 a share in 1964 and $1.10 in 1963 | 2,122,871 | 1,929,954 |
| | $ 2,785,186 | $ 2,707,285 |
| RETAINED EARNINGS AT BEGINNING OF YEAR | 30,681,479 | 27,974,194 |
| RETAINED EARNINGS AT END OF YEAR | $ 33,466,665 | $30,681,479 |

*See notes to financial statements*

# *Rich's, inc.*
# *comparative statements of financial condition*

## assets

| | *February 1, 1964* | *February 2, 1963* |
|---|---|---|
| CURRENT ASSETS: | | |
| Cash | $ 1,367,881 | $ 2,073,006 |
| Temporary cash investments | $ 1,100,000 | $ 4,149,171 |
| Receivables: | | |
| Customers' regular and instalment accounts | $35,656,398 | $28,645,279 |
| Other receivables | 184,126 | 154,191 |
| | $35,840,524 | $28,799,470 |
| Less allowance for doubtful accounts | 790,000 | 690,000 |
| Net receivables | $35,050,524 | $28,109,470 |
| Merchandise inventories – at lower of cost (first-in, first-out basis) or market, determined principally by the retail inventory method | $12,117,658 | $10,144,311 |
| Prepaid expenses and other assets | $ 676,811 | $ 603,778 |
| TOTAL CURRENT ASSETS | $50,312,874 | $45,079,736 |
| PROPERTY AND EQUIPMENT – at cost: | | |
| Land | $ 3,795,517 | $ 2,723,571 |
| Buildings and improvements | 21,427,017 | 19,841,920 |
| Fixtures and equipment | 8,512,215 | 6,977,792 |
| | $33,734,749 | $29,543,283 |
| Less accumulated depreciation and amortization | 11,717,370 | 10,577,657 |
| | $22,017,379 | $18,965,626 |
| | $72,330,253 | $64,045,362 |

## liabilities

| | *February 1, 1964* | *February 2, 1963* |
|---|---|---|
| CURRENT LIABILITIES: | | |
| Accounts payable | $ 4,828,351 | $ 3,676,559 |
| Accrued expenses | 2,530,605 | 2,216,142 |
| Federal and state taxes on income | 3,163,761 | 3,229,598 |
| Long-term debt due within one year | 325,000 | 325,000 |
| TOTAL CURRENT LIABILITIES | $10,847,717 | $ 9,447,299 |
| LONG-TERM NOTES PAYABLE, due after one year: | | |
| 2.90%, due annually 1964 to 1970 | $ 1,050,000 | $ 1,225,000 |
| 4.25%, due annually 1964 to 1975 | 2,000,000 | 2,150,000 |
| 4.875%, due annually 1966 to 1982 | 4,000,000 | 4,000,000 |
| 4.60%, due annually 1967 to 1983 | 4,000,000 | |
| | $11,050,000 | $ 7,375,000 |
| DEFERRED TAXES ON INCOME – arising from: | | |
| Instalment method of reporting income | $ 5,354,000 | $ 4,709,000 |
| Accelerated depreciation | 849,000 | 856,000 |
| | $ 6,203,000 | $ 5,565,000 |
| STOCKHOLDERS' INVESTMENT: | | |
| Capital stock (at February 1, 1964): | | |
| Cumulative Preferred Stock, $100 par, issuable in series, authorized 38,800 shares – Note A: | | |
| 3¾% series – 23,800 shares issued, less 11,825 shares held in treasury for retirement | $ 1,197,500 | $ 1,605,000 |
| Common Stock, without par value – Notes B and F: | | |
| Authorized 2,000,000 shares; outstanding 1,771,084 shares, at stated value | 8,673,334 | 8,493,247 |
| Additional paid-in capital – Note C | 892,037 | 878,337 |
| Retained earnings – Note D | 33,466,665 | 30,681,479 |
| TOTAL STOCKHOLDERS' INVESTMENT | $44,229,536 | $41,658,063 |
| | $72,330,253 | $64,045,362 |

*See notes to financial statements*

*notes to financial statements*

## YEAR (52 weeks) ENDED FEBRUARY 1, 1964

### (A) REDEMPTION OF PREFERRED STOCK:

The Preferred Stock is redeemable at $102.50 a share plus accrued dividends. Sinking fund provisions have been met through February 1, 1964, and the Company has purchased in advance 11,825 shares to meet future requirements at the rate of 700 shares a year.

### (B) STOCK OPTIONS:

Options to purchase Common Stock at market value at the date of grant (from $13.625 to $19.75 a share) have been granted to officers and management employees under a plan approved by the stockholders in 1948. Transactions during the year relating to the stock option plan were as follows:

| | *Shares granted and outstanding* | *Shares not granted* | *Total shares reserved* |
|---|---|---|---|
| Balance at February 2, 1963 | 66,020 | 38,360 | 104,380 |
| Options granted | — | — | — |
| Options exercised | (11,100) | — | (11,100) |
| Options lapsed | (200) | 200 | — |
| Balance at February 1, 1964 | 54,720 | 38,560 | 93,280 |

At February 1, 1964, options for 80 shares were exercisable.

### (C) ADDITIONAL PAID-IN CAPITAL:

Additional paid-in capital was increased during the year by $13,700, this amount being the excess of par value over the cost of 4,075 shares of Preferred Stock purchased.

### (D) LIMITATIONS ON RETAINED EARNINGS:

Under the agreements relating to long-term debt and Preferred Stock, at February 1, 1964, $3,572,000 of retained earnings was available for the payment of cash dividends and the acquisition by the Company of its capital stock.

### (E) LONG-TERM LEASES:

At February 1, 1964, the Company was lessee under nine leases with original maturities of more than three years, expiring from 1968 to 2053, except for the lease on Lenox Square parking property which expires in 2957, which provides for present aggregate minimum annual rentals of approximately $506,000 plus, in some instances, taxes, insurance and other expenses.

### (F) PROPOSED CHANGES IN CAPITALIZATION:

Subsequent to year-end the Board of Directors approved a proposal to be submitted to the stockholders at the annual meeting in April, 1964, which would authorize an increase in the total number of authorized shares of common stock to 3,000,000 shares, and, if approved, the Board then intends to declare a one for two stock split.

## *accountants' report*

Board of Directors,
Rich's, Inc.,
Atlanta, Georgia.

We have examined the accompanying statement of financial condition of Rich's, Inc. as of February 1, 1964, and the related statement of net earnings and retained earnings for the year (52 weeks) then ended. Our examination was made in accordance with generally accepted auditing standards, and accordingly included such tests of the accounting records and such other auditing procedures as we considered necessary in the circumstances.

In our opinion, the financial statements referred to above present fairly the financial position of Rich's, Inc. at February 1, 1964, and the results of its operations for the year (52 weeks) then ended, in conformity with generally accepted accounting principles applied on a basis consistent with that of the preceding year.

Touche, Ross, Bailey & Smart

Atlanta, Georgia.
March 27, 1964.

### Transfer Agents

*Common Stock, Trust Company of Georgia*
*Atlanta, Georgia*

*Preferred Stock, Irving Trust Company*
*New York, New York*

### Registrars

*Common Stock, Citizens and Southern National Bank*
*Atlanta, Georgia*

*Preferred Stock, Chase Manhattan Bank*
*New York, New York*

### Legal Counsel

*King and Spalding* *Atlanta, Georgia*

## *Board of Directors*

JOSEPH F. ASHER

HAROLD BROCKEY

LOUIS CARROL

R. HOWARD DOBBS, JR.
*President, Life Insurance Company of Georgia*

ELMER H. ETLING, SR.

ALVIN M. FERST, JR.

BEN S. GILMER
*President, Southern Bell Telephone Company*

JOSEPH K. HEYMAN
*Senior Vice-President*
*Trust Company of Georgia*

L. GRANT HORNEFFER

A. CARL KOTCHIAN
*Vice-President*
*Lockheed Aircraft Corporation*

WALTER M. MITCHELL
*Vice-President, Draper Corporation*

LOUIS MONTAG
*Senior Partner, Montag and Caldwell*

FRANK H. NEELY

RICHARD H. RICH

CECIL S. SEMPLE

PETER J. STELLING

SAMUEL M. STERN

OSCAR R. STRAUSS, JR.
*Selig Manufacturing Company*

ROBERT B. TROUTMAN, SR.
*Senior Partner, King and Spalding*

BENNETT F. TUCK, JR.

## *Corporate Officers*

| | |
|---|---|
| RICHARD H. RICH | *Chairman of the Board* |
| HAROLD BROCKEY | *President and General Manager* |
| FRANK H. NEELY | *Chairman of Executive Committee* |
| JOSEPH F. ASHER | *Secretary* |
| ELMER H. ETLING, SR. | *Treasurer* |
| K. EDWARD DYE | *Assistant Secretary and Assistant Treasurer* |

## *Operating Officers*

LOUIS CARROL
*Senior Vice-President and General Merchandise Manager*

CECIL S. SEMPLE
*Senior Vice-President in Charge of Operations*

JOSEPH F. ASHER
*Vice-President in Charge of Men's Store*

ALVIN M. FERST, JR.
*Vice-President and Superintendent of Plant Management and Construction*

PETER J. STELLING
*Vice-President in Charge of Fashion Store*

SAMUEL M. STERN
*Vice-President in Charge of Basement Store*

WILLIAM M. SUTTLES
*Vice-President and Personnel Director*

BENNETT F. TUCK, JR.
*Vice-President and General Superintendent*

JOSEPH S. WATTERS
*Vice-President in Charge of Store for Homes*

L. GRANT HORNEFFER
*Assistant Vice-President and Controller*

### *Executive Committee*

FRANK H. NEELY, *Chairman*
RICHARD H. RICH
HAROLD BROCKEY
JOSEPH F. ASHER
ELMER H. ETLING, SR.
LOUIS CARROL
CECIL S. SEMPLE

### *Salary Committee*

FRANK H. NEELY, *Chairman*
RICHARD H. RICH
R. HOWARD DOBBS, JR.
BEN S. GILMER
ROBERT B. TROUTMAN, SR.

### *Finance and Audit Committee*

R. HOWARD DOBBS, JR., *Chairman*
ELMER H. ETLING, SR.
JOSEPH K. HEYMAN
L. GRANT HORNEFFER
WALTER M. MITCHELL
LOUIS MONTAG

# *greater expansion to serve greater Atlanta*

Rich's planned expansion program showed excellent progress during the past year. A large addition to Rich's Downtown Self-Park Garage was completed, followed closely by the opening of the Cobb County store in August. More complete details follow on new expansion now under way, which includes the Service Building Addition to the rear of the Store for Homes, and Rich's fourth suburban store in the new North DeKalb Shopping Center.

## COBB COUNTY

Rich's Cobb County, the first complete department store in this area, is 120,000 square feet in size and offers assortments from all of Rich's downtown departments. Cobb County Center, the only regional shopping center for northwest Georgia, is made up of 30 stores of which Rich's is the largest. The center was planned with additional parking space to take care of the future expansion of our store.

## DOWNTOWN SELF-PARK GARAGE

From its opening, the customer self-parking garage adjacent to the Store for Homes has been so well accepted that it has been practically filled to capacity, and has helped tremendously in our volume of downtown sales. In order to fill our customers' needs more fully, a 6-story addition was finished during the past year, completing a garage with the present daily maximum turnover capacity of 6,000 cars.

## SERVICE BUILDING ADDITION – STORE FOR HOMES

At the present time, a 90,000 sq. ft., 6-story addition is under construction in the rear of the Store for Homes. This space has been engineered and built to provide sufficient service space for our growing business in the branches as well as downtown. It is primarily for centralized stock facilities, planned to meet our 1968 sales volume, but will also provide for merchandise and customer service expansion on the Plaza and Fourth floors.

The Plaza addition will contain an auditorium seating approximately 500, a new Music Center, Sporting Goods department, Luggage, and Toy departments. The Fourth floor addition will be used to expand our furniture departments.

Rich's Bakery, which supplies all our bread, cakes and baked goods for downtown and all branches, will be moved from its cramped quarters on the Sixth Floor, Store for Fashion, to this new service area. This major improvement will provide a sufficient quantity of our bakery products which have very good customer acceptance.

## NEW FOOD FACILITY

With the removal of the Luggage department from the Third floor bridge, this bridge will be converted into a charming sidewalk cafe. This will provide the sixth food facility for the convenience of customers in the downtown store.

## LENOX

With the addition of the fourth floor last year at Rich's Lenox, this store has now become one of the largest department stores in Georgia, and its 240,000 sq. ft. of space, stocked with the South's widest assortments, makes it an important member of the Rich's family of stores, as its sales volume continues to increase.

## BELVEDERE

The 2-story Belvedere Plaza store of 82,000 sq. ft. has made steady progress in sales each year since its opening. Though the smallest of the suburban stores, it carries a majority of Rich's assortments, and is now serving the entire East market of Metropolitan Atlanta.

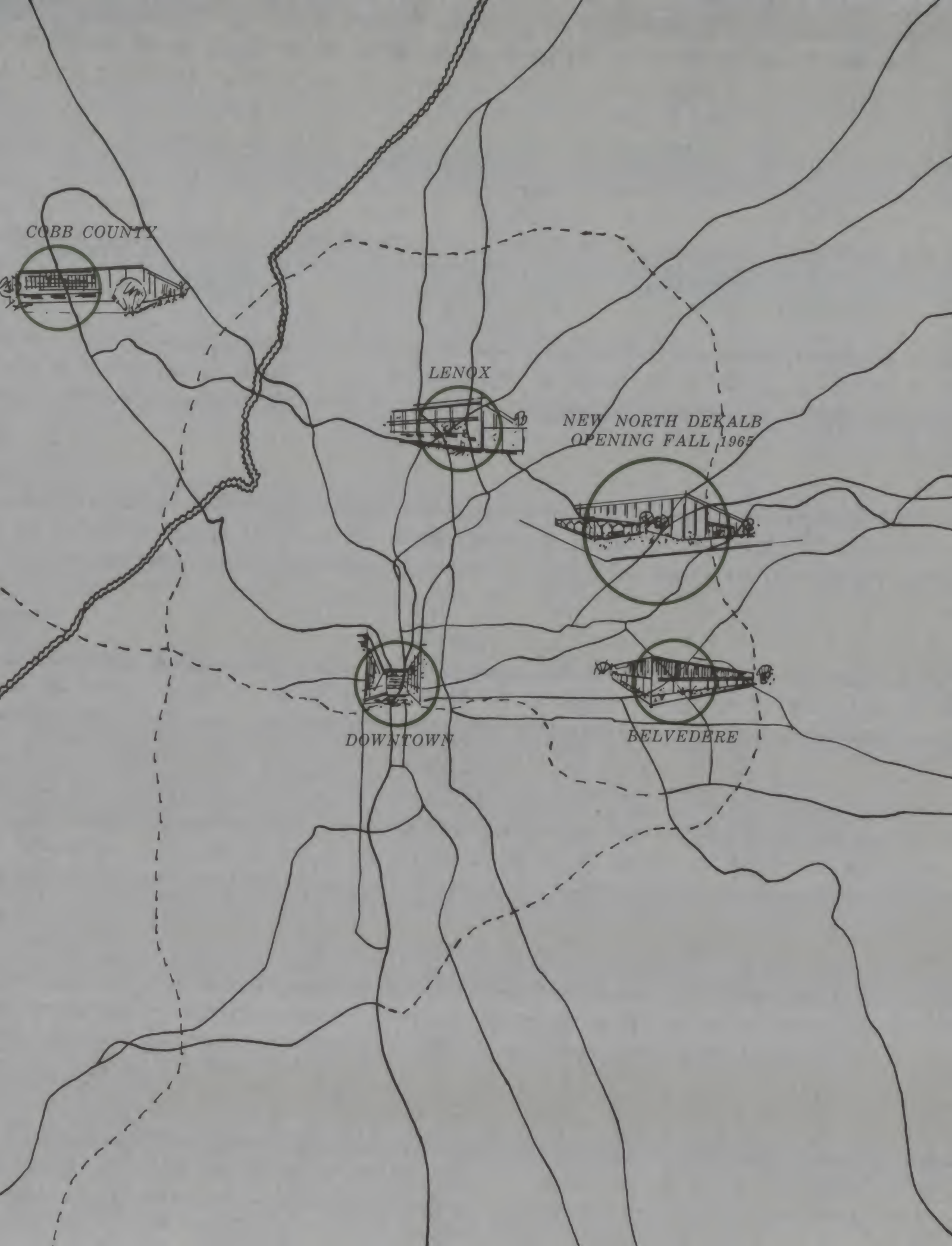
## *Rich's North DeKalb*

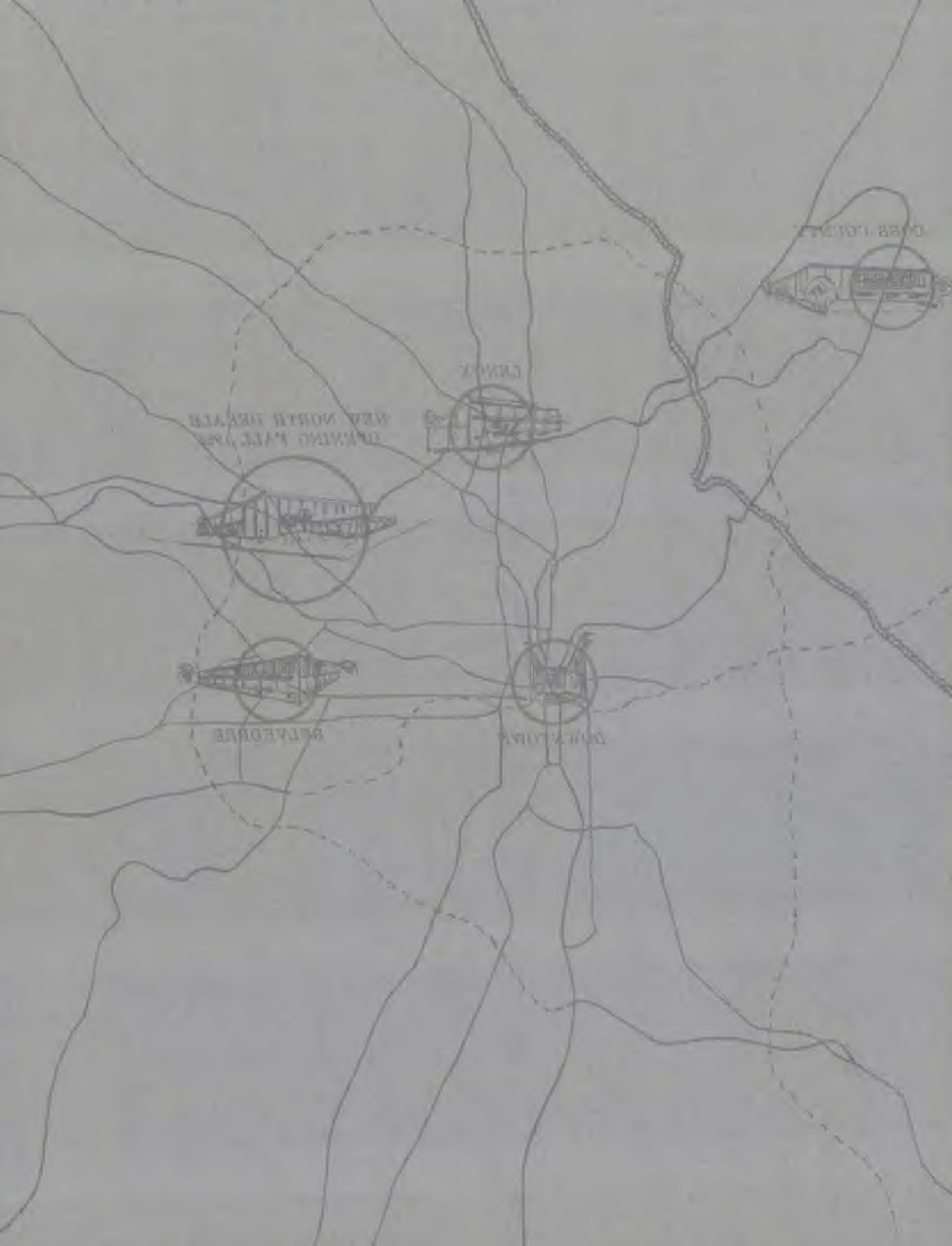
In the fall of 1965, Rich's will open a 160,000 sq. ft. store in the new North DeKalb Shopping Center on Lawrenceville Highway near North Druid Hills Road. The site was chosen because this area has shown the largest population growth of any in Georgia since World War II, and is surrounded by ample open area for residential, commercial and industrial development.

The center will be one of the most attractive and functional in the South, on a 50-acre tract encompassing 400,000 square feet of store space and a beautifully landscaped, completely air-conditioned pedestrian mall. It will be constructed so that its 40 stores will form a great H-shaped mall, enclosed from the weather at all times.

Rich's will build and own its building, and will be located in the front of the shopping center. Our store will present a new concept in merchandising, having the upstairs departments opening off the air-conditioned mall with two floors of 60,000 sq. ft. each, plus an adjacent building of 40,000 sq. ft. which will be Rich's budget store, including all our basement departments, major appliances, TV, housewares, sporting goods, cameras and luggage.

Rich's store and the North DeKalb Shopping Center will serve the immediate market areas of Druid Hills, Decatur, and will be easily accessible to all of the expanding areas in North DeKalb on the Northeast Expressway. In addition, it will connect to Lawrenceville, Tucker and Clarkston via a network of roads feeding into it from the Stone Mountain area.


COBB COUNTY
LENOX
NEW NORTH DEKALB
OPENING FALL 1965
DOWNTOWN
BELVEDERE



*View of Rich's North DeKalb, showing the second-level balcony fronting on the beautiful, air-conditioned Fountain Mall.*